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PROBABLE EFFECTS OF A US-SUPPORTED UN RESOLUTION
APPLYING SANCTIONS TO ISRAEL

1. This memorandum estimates the probable effects of the adoption by the UN General Assembly, with US support, of a resolution recommending sanctions against Israel until such time as it complies with the General Assembly resolution calling for its withdrawal from Sinai and the Gaza Strip. It does not consider the likelihood that such a resolution will in fact be passed by the Assembly. It is here assumed that under such a resolution the US would halt all US Government assistance to Israel, would block Israeli funds in the US, and would block the private transfer of goods and dollars from the US to Israel.

Probable Extent of Participation

2. A program of UN sanctions against Israel would be supported by the Arab states and by the USSR, which has already halted shipments of oil to Israel. It would also be complied with

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by most of the Arab-Asian and under US leadership by many Latin American states. Among those countries cooperating in application of a sanctions resolution would probably be Iran and Venezuela, from which Israel has obtained oil. Even given active US participation in the program, most of the NATO countries, including the UK, would at best give reluctant support to a program of sanctions. Canada, which from the start backed UN resolutions calling for Israeli withdrawal from Egypt and itself proposed the UN Emergency Force, has indicated that it would not cooperate. West Germany has stated it would not suspend reparations payments. France would almost certainly refuse to participate in economic sanctions and in fact would probably increase shipments to Israel. Other nations which voted against the resolution would be unwilling to apply sanctions. Should sanctions fail to produce prompt Israeli compliance with the General Assembly's wishes, the willingness of other nations, particularly in the NATO group, to continue applying sanctions would almost certainly decline. In the event of continued deadlock with Nasser on the Suez Canal issue, Western willingness to cooperate with a program of sanctions would be sharply reduced.

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Effects on Israel

3. For the UN to take the extreme step of imposing sanctions would be a severe diplomatic blow to Israel. Although Israel would retain the friendship of France and considerable sympathy on the part of the UK and other Western powers, it would be confronted with the opposition not only of the Arab states and the USSR, now its avowed enemy, but also of the US Government, its most important friend and protector.

4. Economically, the imposition of sanctions would be especially serious because of Israel's continuing dependence on outside supplies and financing not only for continuation of its immigration program and furtherance of economic development but also for maintenance of its present standard of living. Approximately a quarter of Israel's imports consist of food and another quarter of raw materials, including vegetable oils, petroleum, and textiles. Virtually all of Israel's heavy military equipment must also be obtained abroad. Israel's imports amounted to about \$357 million in 1956, of which only about \$103 million worth was covered by

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exports, and another \$40 million in reparations from West Germany. Thus the \$45 million a year in US economic and technical assistance which Israel was receiving prior to its attack on Egypt and the more than \$150 million a year raised privately, mainly in the US, represent critical elements in the economy.

5. It appears almost certain that a US-supported program of economic sanctions, effectively applied, would eventually compel Israel to yield -- probably within a period of three to twelve months. For the present, however, we believe the chances are better than even that Israel would not give way in the face of the imposition of sanctions but would instead try to hold out as long as possible in the hope of bringing about a change in world sympathy in Israel's direction. Probably Premier Ben Gurion and his colleagues still believe that Israel's present occupation of Gaza and the Sharm el-Sheikh littoral gives Israel a unique bargaining counter. They would almost certainly appreciate that, given the attitudes of France, Canada, and other countries,

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and the strong feeling of Zionist organizations in the US, it would be extremely difficult for the US completely to stop the flow of private funds to Israel. Finally, Israel's present leadership almost certainly continues to believe that a vigorous and uncompromising policy at this juncture offers the best chance of safeguarding Israel's interests.

Reactions of the Arab States

6. US support of and participation in a program of sanctions against Israel would be enthusiastically applauded in the Arab states and at least in the short run would considerably enhance US efforts to compete with Soviet influence in the area. However, any Arab enthusiasm for the US would continue to be tempered by underlying suspicions of past US ties with Israel and the "colonial" powers.

7. As to Egypt's position on Suez Canal issues, we believe that, even if Israel did not yield to sanctions, Egypt might permit clearance of the Canal to proceed and persuade Syria

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to permit restoration of the IPC pipeline. On the issues of toll payment and ultimate settlement, however, we believe that the Egyptian position would not be substantially affected -- even if Israel were to yield.

8. Although the imposition of sanctions would perpetuate area tensions, it would probably not lead to an early military flareup. Israel's military establishment is already low in POL stocks, and in the face of further stringencies resulting from economic sanctions Israel would probably not initiate new hostilities against the Arabs in the near future. Egypt, the leader of the Arab military alliance against Israel, would not be in a position to implement effective military or paramilitary (fedayeen) actions against Israel as long as the latter maintains her improved security position in the Gaza Strip and the Sinai. While Egypt's allies, Syria and Jordan, might undertake limited raids, they would probably be deterred from any serious provocation of Israel by knowledge that Egypt could not now give them effective military support. Jordan has reportedly unburdened

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herself of a considerable body of Egyptian-trained fedayeen who had taken asylum in her country last fall. Finally, these states would probably recognize that a rash of Arab fedayeen raids against Israel would tend to strengthen Israel's moral position before the UN.

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